

## ANALYSIS OF ORIGINAL BILL

Author: Machado Analyst: Kristina North Bill Number: AB 1733

Related Bills: See Legislative History Telephone: 845-6978 Introduced Date: 02/02/98

Attorney: Doug Bramhall Sponsor: \_\_\_\_\_

SUBJECT: D.A.R.E. California Drug Abuse Resistance Education Fund/Extends Repeal

### SUMMARY

Under the Administration of Franchise and Income Tax Law, this bill would extend the operation of the California Drug Abuse Resistance Education Fund (D.A.R.E.) to January 1, 2004.

### EFFECTIVE DATE

This bill would be effective for taxable years beginning on or after January 1, 1999.

### LEGISLATIVE HISTORY

SB 1153 (1995/96), AB 3631 (1993/94)

### BACKGROUND

Eleven voluntary contribution funds appeared on the 1997 state tax return. Total contributions to the funds have declined from approximately \$3.4 million in 1989/90 to approximately \$2.4 million in 1996/97. The number of individuals contributing (first tabulated in 1993) remains fairly constant at 140,000 to 150,000, or slightly more than 1% of all taxpayers.

The D.A.R.E. Fund was first enacted in 1995 and was available for contributions on the 1995 tax return filed in 1996. It will sunset on January 1, 1999, and will last appear on returns for the 1998 taxable year filed in 1999. This fund received approximately \$146,000 from contributions on 1996 tax returns.

### SPECIFIC FINDINGS

**Current federal law** provides a true checkoff to direct \$3 of a taxpayer's tax liability to the presidential election fund. Designation of the \$3 amount does

### DEPARTMENTS THAT MAY BE AFFECTED:

\_\_\_\_ STATE MANDATE

\_\_\_\_ GOVERNOR'S APPOINTMENT

#### Board Position:

\_\_\_\_ S \_\_\_\_ O  
\_\_\_\_ SA \_\_\_\_ OUA  
\_\_\_\_ N \_\_\_\_ NP  
\_\_\_\_ NA \_\_\_\_ NAR  
\_\_\_\_ X PENDING

#### Agency Secretary Position:

\_\_\_\_ S \_\_\_\_ O  
\_\_\_\_ SA \_\_\_\_ OUA  
\_\_\_\_ N \_\_\_\_ NP  
\_\_\_\_ NA \_\_\_\_ NAR  
DEFER TO \_\_\_\_\_

#### GOVERNOR'S OFFICE USE

Position Approved \_\_\_\_  
Position Disapproved \_\_\_\_  
Position Noted \_\_\_\_

Department Director

Gerald H. Goldberg

2/23/98

Agency Secretary

Date

By:

Date:

not affect a taxpayer's tax liability or refund amount.

**Current state law** allows taxpayers to make contributions of their own funds (not tax liability) on their tax returns to the 11 voluntary contribution funds listed on the state tax return. Each fund provides for the reimbursement of the Franchise Tax Board and Controller's costs to administer the fund.

Except for the California Seniors Special Fund, which has no sunset date, the voluntary contribution funds have various sunset dates. Attachment I shows the specific sunset dates for each voluntary contribution fund and indicates those funds which must meet a minimum contribution test (indexed \$250,000) to remain on the return. Attachment II is a chart indicating the number of contributors and their contributions for multiple fiscal years.

**This bill** would extend the operation of the D.A.R.E. Fund from January 1, 1999, to January 1, 2004. Thus, this fund would last appear on income tax returns for 2003 instead of 1998. This fund must meet the \$250,000 minimum contribution test (as indexed) to remain on the tax return.

#### **Policy Considerations**

The placement of voluntary contributions on the tax return limits the amount of space available for tax-related items. The inclusion of non-tax related information may ultimately impair tax collection and reduce administrative efficiency.

#### **Implementation Considerations**

The implementation of this bill would not significantly impact this department.

### **FISCAL IMPACT**

#### **Departmental Costs**

This bill would not significantly impact the department's costs.

#### **Tax Revenue Estimate**

Potential revenue losses would be very minor, \$10,000 or less annually beginning with fiscal year 2000/01.

Any possible changes in employment, personal income, or gross state product that might result from this measure are not taken into account.

#### **Tax Revenue Discussion**

According to departmental data, the amount of contributions to the California D.A.R.E. Fund was \$145,632 for fiscal year 1996/97 with an average of nearly \$5 per individual contributor. Assuming a 2% growth in contributions, an average marginal tax rate of 6%, and no reductions for other contributions normally reported, the annual revenue loss would be on the order of \$10,000, assuming taxpayers itemize deductions.

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**BOARD POSITION**

Pending.